

MINUTES OF MEETING

December 13, 2005

The Health Benefits Committee met on Tuesday, December 13, 2005, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, CA.

The meeting was called to order at 10:10 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Ron Alvarado
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Debbie Endsley representing Michael Navarro
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Marjorie Berte Tony Oliveira Michael Quevedo Kurato Shimada

AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSION TO DISCUSS 2007 HEALTH PLAN CONTRACT NEGOTIATIONS

The Chair announced that the previously scheduled closed session, to discuss 2007 health plan contract negotiations, had been cancelled.

AGENDA ITEM 3 – APPROVAL OF THE NOVEMBER 15, 2005, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The November 15, 2005 meeting minutes were approved as presented.

AGENDA ITEM 4 – RECOMMENDATION FOR APPROVAL OF AWARD OF CONTRACT NO. 2005-3789 (FORMERLY RFP NO. 2004-3521) PHARMACY BENEFIT MANAGER, TO MEDCO HEALTH SOLUTIONS, INC.

Richard Krolak, Chief, Office of Health Policy and Plan Administration, informed the Committee that CalPERS staff and Medco Health Solutions, Inc. have completed negotiations and an agreement between the parties was reached.

On **MOTION** by Charles Valdes, **SECONDED** and **CARRIED**, the Committee recommended the Board of Administration award Contract No. 2005-3789 (formerly RFP No. 2004-3521) Pharmacy Benefit Manager, to Medco Health Solutions, Inc.

AGENDA ITEM 5 – PROPOSED CONTRACT EXTENSION FOR HEALTH CARE DECISION SUPPORT SYSTEM THIRD PARTY ADMINISTRATOR

Sandra Felderstein, Chief, Office of Decision and Program Support Services, and Barry Johnson of Shooting Star Solutions, presented information on the value of extending the current contract with Medstat, the third party administrator of the Health Care Decision Support System (HCDSS). The contract is due to expire on June 30, 2007. Since HCDSS has come on-line in January 1, 2004, staff has used the system to negotiate health premium rates and to provide health data analyses supporting major health benefit decisions. Extending the Medstat contract will allow staff to concentrate resources on current projects and further evaluate the system's capabilities. Medstat has also agreed in writing to extend the contract at the existing annual amount.

On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to extend the current Medstat contract for an additional two years.

AGENDA ITEM 6 - UPDATE ON PARTNERSHIP FOR CHANGE

Loren Suter, Senior Strategic Advisor, presented an information item on the Partnership for Change. This is the third progress report provided to the Board of Administration. CalPERS is continuing to work with stakeholders to advance all three components of the Partnership for Change: the Hospital Value Initiative, Hospital Quality Measurement (California Hospital Assessment and Reporting Taskforce) and the Health Care Purchaser's Coalition. Mr. Suter provided updates on each of these components. Next steps include:

- Continue to build a group of endorsers and provide them with on-going information about the Partnership.
- Continue to work with and support CHART.
- Reach consensus on a set of efficiency metrics through the Hospital Value Initiative.
- Consider whether to move the Partnership for Change efforts into clinics and physician offices.

AGENDA ITEM 7 – SELF-FUNDED PROGRAMS FINANCIAL THIRD-QUARTER REVIEW

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented an information item on the status of the financial reserves for the Self-Funded health plans. Because of timing of the item, trend highlights were provided for both the 2nd and 3rd quarters. During these quarters the self-funded plans did experience some underwriting losses, however, staff remains comfortable that the reserve status for all four plans remains on target and appropriate. When the decision was made to buy down premiums, only one-third of the excess reserves were used. Assets continue to be sufficient to fund benefits and to maintain adequate reserves.

AGENDA ITEM 8 – HEALTH ACTUARIAL AND BENEFITS CONSULTANT SERVICES POOL REQUEST FOR PROPOSAL

Richard Krolak, Chief, Office of Health Policy and Plan Administration, provided a brief overview of the Request for Proposal (RFP) for the Health Actuarial and Benefits Consultant pool. The pool of consultants will provide specialized services in the following five areas:

- Actuarial consulting for the Health Program
- Health benefits consulting services
- · Medical management and utilization management consulting
- Pharmaceutical benefit management consulting
- Leveraging health care information systems

The existing consultant pool expires on June 30, 2006. This RFP will create a new pool that will become effective July 1, 2006. Once the pool is established, as projects come up, the firms will be required to respond to specific scope of work requirements. The firm that best meets the requirements would then be selected to perform the work on that specific project.

On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to proceed with the Request for Proposal to select a pool of consultants and to bring the finalists to the Health Benefits Committee for interviews and selection, if desired, and to use a point scoring system of 200 for the fee proposal, 250 for staff's evaluation and 250 for the Committee's evaluation.

Jim Zerio ABSTAINED.

Neal Johnson, Service Employees' International Union, Local 1000, spoke on this item.

AGENDA ITEM 9 – ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, provided information on the first annual conference and business meeting of the Public Sector Healthcare Roundtable that was held in Alexandria, Virginia on November 28th through 30th. The Roundtable is committed to representing the common interests of public sector health care purchasers before the federal government and in advocating on behalf of the development, implementation and funding of public polices that best address the health care needs of the public sector and its enrollees. Other states currently participating are Colorado, Georgia, Illinois, Kentucky, Michigan, Minnesota, New York, Ohio and Texas.

Ms. Westbrook also announced the retirement of Ron Bywater, California Department of Forestry Firefighters, at the end of the year. Mr. Bywater has served many years supporting the CalPERS Health Benefits Program and has been a strong advocate for all CalPERS enrollees.

AGENDA ITEM 10 – PROPOSED AGENDA FOR FEBRUARY 15, 2006, HEALTH BENEFITS COMMITTEE MEETING

The proposed February 15, 2006, Health Benefits Committee meeting agenda was changed to reflect a start time of 9:30 a.m. or upon adjournment of the Benefit and Program Administration Committee meeting, whichever is later.

AGENDA ITEM 11 – PUBLIC COMMENT

There was public comment from the following:

Tom Moore, California State Council of Service Employees' International Union and the California Health Care Coalition

Neal Johnson, Service Employees' International Union, Local 1000.

The meeting was adjourned at 11:15 a.m.

The next meeting of the Committee is scheduled for February 15, 2006, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.